

Town of Oologah
Rogers County, Oklahoma

Independent Auditor's Report and Financial Statements

For the Fiscal Year Ended
June 30, 2014

***Town of Oologah
Rogers County, Oklahoma***

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Town of Oologah
Management Discussion & Analysis
For the Year Ended June 30, 2014

This section of the Town of Oologah's financial report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Town

During the fiscal year, the Town had capital expenditures for the media library, community center, maintenance barn, mower and police radios totaling \$167,540.87.

OMA

During the fiscal year the Authority purchased a Jetter machine for \$5,509.05.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information* and an optional section that presents supplementary information. The basic financial statements include two kinds of statements that present different views of the Town.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Town's operations in more detail than the government-wide financial statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the government operates *like businesses*, such as the sewer system.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of Town of Oologah's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire Town government (except fiduciary funds) and Town's component units	The activities of the Town are not proprietary or fiduciary, such as police, fire, and parks.	Activities the Town operates similar to private businesses: the water and sewer system, and parking facilities.
Required financial statements	*Statement of net assets *Statement of activities	*Balance sheet *Statement of revenues, expenditures, and changes in fund balances	*Statement of net assets *Statement of revenues, expenses, and changes in net assets *Statement of cash flows
Accounting basis and Measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources Focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities; both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflows/outflow information	All revenues and expenses during year, regardless of when cash is received or Paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's *net assets* and how they have changed. Net assets - the difference between the Town's assets and liabilities - is one way to measure the Town's financial health, or *position*.

- * Over time, increases or decreases in the Town's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Town are divided into three categories:

- * *Government activities* - Most of the Town's basic services are included here, such as the police, fire, public works, parks departments and general administration. Sales taxes, use taxes and grants finance most of these activities.
- * *Business-type activities* - The Town charges fees to customers to help it cover the costs of certain services it Provides. The Towns sewer system is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's most significant funds - not the town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has two kinds of funds:

* *Governmental Funds* - Most of the Town's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or in the subsequent page, that explains the relationship (or differences) between them.

* *Proprietary Funds* - Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Net Assets.

The Town's net assets increased \$266,757 (See Table A-1) and the Municipal Authority's net assets decreased \$76,066.

Table A-1
Town of Oologah's Net Assets

	Governmental Activities		Business-type Activities	
	2013	2014	2013	2014
Current and other assets	\$1,703,357	\$1,845,143	\$ 480,207	\$ 311,815
Capital assets	<u>1,120,315</u>	<u>1,212,857</u>	<u>1,914,258</u>	<u>1,807,382</u>
Total Assets	2,823,672	3,058,000	2,394,464	2,119,197
Notes payable			377,692	
Other liabilities	<u>15,785</u>	<u>12,114</u>	<u>6,026</u>	<u>184,561</u>
Total Liabilities	15,785	12,114	383,718	184,561
Net assets				
Invested in capital assets	1,120,315	1,212,857	1,526,159	1,807,382
Unrestricted	<u>1,687,571</u>	<u>1,833,029</u>	<u>484,588</u>	<u>127,254</u>
Total Net Assets	\$2,807,885	\$ 3,045,886	\$2,010,746	\$1,934,636

Table A-2
Changes in Town of Oologah's Net Assets

	Governmental Activities		Business-type Activities	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Revenues				
Program revenues				
Charges for services	\$ 108,184	\$ 71,623	\$ 207,644	\$ 213,530
State grant revenues				
General revenues				
Sales tax revenues	331,348	502,774		
Other taxes	77,176	88,284		
Other		<u>55,161</u>		<u>330</u>
Total Revenues	516,708	717,842	207,644	213,860
Expenses				
Personal services	180,499	188,513	18,650	28,818
Maintenance and operation	216,522	262,574	236,323	261,107
Capital outlay				
Total Expenses	397,021	451,087	254,973	289,925
Increase (Decrease) in Net Assets	<u>\$ 119,687</u>	<u>\$266,755</u>	<u>\$ (47,329)</u>	<u>\$ (76,065)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a *combined* unrestricted fund balance of \$1,833,029.

General Fund Budgetary Highlights

The actual expenditures were \$1,341,905 below final budget amounts and revenues collected were \$274,839 over the amount estimated.

The Town's general fund balance of \$1,649,847 differs from the general fund's *budgetary* fund balance of \$1,616,744 reported in the budgetary comparison schedule principally because *budgetary* fund balance excludes:

- * Amount of tax revenues receivables that are not reported as a part of revenues in the *budgetary* analysis.
- * Amounts of expenditures accrued as incurred.

Capital Assets

Table A-4
Town of Oologah's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 379,000	\$ 379,000	\$	\$
Building and improvements	788,522	678,430	48,177	50,010
Water plant			654,980	674,636
Equipment and vehicles	45,335	62,885	34,440	39,029
Sewer system			<u>1,069,784</u>	<u>1,140,175</u>
Total	<u>\$1,212,857</u>	<u>\$1,091,559</u>	<u>\$1,807,381</u>	<u>\$1,903,850</u>

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Town of Oologah
Rogers County, Oklahoma
Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance
Budget and Actual - Regulatory Basis
For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Budget Variance	
				Original to Final	Final to Actual
<u>Revenues:</u>					
Charges for services	\$ 6,327	\$ 6,327	\$ 1,793	\$ 0.00	\$ (4,534)
Local sources	101,062	101,062	117,453	0.00	16,391
State sources	305,239	305,239	506,059	0.00	200,820
Miscellaneous	<u>19,061</u>	<u>19,061</u>	<u>81,223</u>	<u>0.00</u>	<u>62,162</u>
Total revenues	<u>431,689</u>	<u>431,689</u>	<u>706,528</u>	<u>0.00</u>	<u>274,839</u>
<u>Expenditures</u>					
Personal Services	290,000	290,000	192,194	0.00	97,806
Maintenance and Operations	604,395	604,395	393,656	0.00	210,739
Capital Outlay	<u>1,200,000</u>	<u>1,200,000</u>	<u>166,640</u>	<u>0.00</u>	<u>1,033,360</u>
Total Expenditures	<u>2,094,395</u>	<u>2,094,395</u>	<u>752,490</u>	<u>0.00</u>	<u>1,341,905</u>
Excess of Revenues over/(under) expenditures	(1,662,706)	(1,662,706)	(45,962)	0.00	1,616,744
Fund Balance, beginning	<u>1,662,706</u>	<u>1,662,706</u>	<u>1,662,706</u>	<u>0.00</u>	<u>0</u>
Fund Balance, end of year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,616,744</u>	<u>\$ 0.00</u>	<u>\$1,616,744</u>

Amount reported for general fund cash fund balance in the Balance Sheet of Governmental Funds is different because this schedule is prepared on a regulatory basis of accounting. The difference is attributable to:

Accounts payable	(12,114)
Taxes receivable	<u>45,217</u>
Cash Fund Balance – General Fund	<u>\$1,649,847</u>

The accompanying notes are an integral part of the combined financial statements.

Violet F. Kirkendall CPA, PC

Certified Public Accountant

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Independent Auditor's Report

Board of Trustees

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Oologah, Rogers County, Oklahoma as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Town of Oologah, Rogers County, Oklahoma's basic financial statements as listed in the table of contents.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oologah, Rogers County, Oklahoma as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with managements responses to our inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

In accordance with Government Auditing Standards, I have also issued my report dated July 22, 2014 on my consideration of the Town of Oologah, Rogers County, Oklahoma internal control over financial reporting and my tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Oologah, Rogers County, Oklahoma's internal control over financial reporting and compliance.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Oologah, Rogers County, Oklahoma basic financial statements. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements taken as a whole.


Violet F. Kirkendall CPA, PC

July 22, 2014

Violet F. Kirkendall CPA, PC

Certified Public Accountant

405 W. Claremore St.

Claremore, OK 74017

(918) 342-5474

***Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards***

Town of Oologah

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Town of Oologah, Rogers County, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise which comprise Town of Oologah, Rogers County, Oklahoma basic financial statements, and have issued my report thereon dated July 22, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Town of Oologah, Rogers County, Oklahoma internal control over financial reporting in order to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but, not for the purpose of expressing an opinion on the effectiveness of the Town of Oologah, Rogers County, Oklahoma internal control.


A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in the internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance

As part of obtaining reasonable assurance about whether the Town of Oologah, Rogers County, Oklahoma financial statements are free of material misstatement, I performed tests of the compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Violet Kirkendall CPA, PC

July 22, 2014

Town of Oologah
Rogers County, Oklahoma
Statement of Net Assets
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 817,648.46	\$ 282,387.46	\$ 1,100,035.92
Investments	807,467.13		807,467.13
Accounts receivable		19,019.87	19,019.87
Due from other funds	174,085.73		174,085.73
Due from other Governments	45,941.41		45,941.41
Total Current Assets	1,845,142.73	301,407.33	2,146,550.06
Non-current Assets:			
Capital Assets:			
Property, Plant and Equipment, net	1,212,857.04	1,807,381.87	3,020,238.91
Other Assets		10,407.55	10,407.55
Total Assets	3,057,999.77	2,119,196.75	5,177,196.52
LIABILITIES			
Current Liabilities:			
Accounts Payable	12,113.67	10,475.52	22,589.19
Due to other funds		174,085.73	174,085.73
Total Current Liabilities	12,113.67	184,561.25	196,674.92
NET ASSETS			
Invested in capital assets, net of related debt	1,212,857.04	1,807,381.87	3,020,238.91
Unrestricted	1,833,029.06	127,253.63	1,960,282.69
Total Net Assets	\$ 3,045,886.10	\$ 1,934,635.50	\$ 4,980,521.60

The accompanying notes are an integral part of the combined financial statements.

Town of Oologah
Rogers County, Oklahoma
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs:	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities:</i>					
General Government	\$ 441,735.44	\$ 71,023.36	\$	\$ 1,000.00	\$ (369,712.08)
Streets	9,351.19	600.00			(8,751.19)
TOTAL GOVERNMENTAL ACTIVITIES	<u>451,086.63</u>	<u>71,623.36</u>	<u>0.00</u>	<u>1,000.00</u>	<u>(378,463.27)</u>
<i>Business Type Activities</i>					
Sewer	289,925.31	213,529.59	0.00		(76,395.72)
TOTAL	<u>\$ 741,011.94</u>	<u>\$ 285,152.95</u>	<u>\$ 0.00</u>	<u>\$ 1,000.00</u>	<u>\$ (454,858.99)</u>

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Changes in Net Assets:			
Net (expense) revenue	\$ (378,463.27)	\$ (76,395.72)	\$ (454,858.99)
General revenues:			
Taxes:			
Sales Taxes	502,774.36		502,774.36
Cigarette Tax	5,751.16		5,751.16
Use Tax	41,590.39		41,590.39
Franchise Tax	22,926.22		22,926.22
Alcoholic Beverage Tax	6,830.78		6,830.78
Other Income			
Restricted for transportation purposes:			
Motor Vehicle Tax	9,051.07		9,051.07
Gasoline Tax	2,134.67		2,134.67
Sale of Property	50,116.50		50,116.50
Interest Income	4,044.76	330.07	4,374.83
Total General Revenues	<u>645,219.91</u>	<u>330.07</u>	<u>645,549.98</u>
Change in Net Assets	266,756.64	(76,065.65)	190,690.99
Net Assets-beginning	2,779,129.46	2,010,701.15	4,789,830.61
Net Assets-ending	<u>\$ 3,045,886.10</u>	<u>\$ 1,934,635.50</u>	<u>\$ 4,980,521.60</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Oologah
Rogers County, Oklahoma
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund	Other Governmental Funds	Totals
ASSETS			
Cash	\$ 809,278.45	\$ 8,370.01	\$ 817,648.46
Investments	807,467.13		807,467.13
Due from other governments	45,214.72	726.69	46,941.41
Total Assets	<u>\$ 1,661,960.30</u>	<u>\$ 9,096.70</u>	<u>\$ 1,671,057.00</u>
LIABILITIES & FUND EQUITY			
Liabilities:			
Accounts payable	\$ 12,113.67	\$ 0.00	\$ 12,113.67
Fund Equity:			
Restricted		9,096.70	9,096.70
Unrestricted	1,649,846.63		1,649,846.63
Total Fund Equity	<u>1,649,846.63</u>	<u>9,096.70</u>	<u>1,658,943.33</u>
Total Liabilities & Fund Equity	<u>\$ 1,661,960.30</u>	<u>\$ 9,096.70</u>	<u>\$ 1,671,057.00</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Oologah
Rogers County, Oklahoma
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
For the Year Ended June 30, 2014*

Total Fund Balances – Governmental Funds	\$ 1,658,943.33
Amounts reported for governmental activities in the statement of net assets are different because:	
Due from other funds	174,085.73
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	<u>1,212,857.04</u>
Net Assets of Governmental Activities	<u>\$ 3,045,886.10</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Oologah
Rogers County, Oklahoma
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Totals
REVENUES			
Charges for Services	\$ 59,521.86	\$	\$ 59,521.86
Sales of Property	50,116.50		50,116.50
Donations	1,000.00		1,000.00
Investment Income	3,742.44		3,742.44
Other	11,803.82	600.00	12,403.82
Taxes	<u>579,872.91</u>	<u>11,185.74</u>	<u>591,058.65</u>
Total Revenues	<u>706,057.53</u>	<u>11,785.74</u>	<u>717,843.27</u>
EXPENDITURES			
Personal Services	188,512.95		188,512.95
Maintenance and Operation	206,980.08	9,351.19	216,331.27
Capital Outlay	<u>167,540.87</u>		<u>167,540.87</u>
Total Expenditures	<u>563,033.90</u>	<u>9,351.19</u>	<u>572,385.09</u>
Net Change in Fund Balance before transfers	143,023.63	2,434.55	145,458.18
Transfer to other funds	<u>(174,085.73)</u>	<u>0.00</u>	<u>(174,085.73)</u>
Net Change in Fund Balance	(31,062.10)	2,434.55	(28,627.55)
Fund Balance - Beginning of Year	<u>1,680,908.73</u>	<u>6,662.15</u>	<u>1,687,570.88</u>
Fund Balance - End of Year	<u>\$ 1,649,846.63</u>	<u>\$ 9,096.70</u>	<u>\$ 1,658,943.33</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Oologah
Rogers County, Oklahoma
Reconciliation of Change in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances – Total Governmental Funds **\$ (28,627.55)**

Amounts reported for governmental activities in the statement of activities are different because:

In the governmental funds, capital outlays are reported as expenditures while in the government-wide statement of activities, depreciation expense is reported to allocate those expenditures over the life of the assets.

Capital asset purchases	167,540.87
Depreciation expense	(46,242.41)
Due to from other funds	<u>174,085.73</u>
Change in Net Assets of Governmental Activities	<u>\$ 266,756.64</u>

The accompanying notes are an integral part of the combined financial statements.

Town of Oologah
Rogers County, Oklahoma
Statement of Net Assets
Proprietary Funds-Enterprise Funds
June 30, 2014

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 282,387.46
Accounts receivable	<u>19,019.87</u>
Total Current Assets	301,407.33

Non-current Assets:

Capital Assets:

Property, Plant and Equipment, net of accumulated depreciation	1,807,381.87
--	--------------

Other assets	<u>10,407.55</u>
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Total Assets	<u>2,119,196.75</u>
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LIABILITIES

Current Liabilities:

Accrued Interest Payable	10,475.52
Accounts Payable	<u>174,085.73</u>
Due to other funds	184,561.25
Total Current Liabilities	<u>184,561.25</u>

NET ASSETS

Invested in capital assets	1,807,381.87
Unrestricted	<u>127,253.63</u>
Total Net Assets	<u>\$ 1,934,635.50</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Oologah
Rogers County, Oklahoma
Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended 30, 2014*

Operating Revenues:

Sales - Sewer	\$ 213,529.59
---------------	---------------

Operating Expenses:

Personal services	28,817.92
Legal/miscellaneous	22,817.24
Operating expenses	60,989.75
Utilities	47,921.43
Repairs and maintenance	20,216.31
Total Operating Expenses	<u>180,762.65</u>
 Operating Income	 <u>32,766.94</u>

Non-Operating Revenues (Expenses):

Interest revenues	330.07
Interest expense	(7,185.36)
Depreciation	<u>(101,977.30)</u>
Total Non-Operating Revenues (Expenses)	<u>(108,832.59)</u>

Change in Net Assets	(76,065.65)
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Total Net Assets-Beginning	<u>2,010,701.15</u>
Total Net Assets-Ending	<u>\$ 1,934,635.50</u>

The accompanying notes are an integral part of the combined financial statements.

*Town of Oologah
Rogers County, Oklahoma
Statement of Cash Flows
Proprietary Fund Type - Enterprise Fund
For the Year Ended June 30, 2014*

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 211,670.96
Expenses paid for operations and services	<u>(176,313.60)</u>
Net Cash Provided (Used) by Operating Activities	<u>35,357.36</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

0.00

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Proceeds received from town funds	185,783.41
Purchase of capital assets	(5,509.05)
Principal paid	(389,434.24)
Interest paid	<u>(7,185.36)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(216,345.24)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and dividends on investments	<u>330.07</u>
---------------------------------------	---------------

Net increase (decrease) in cash	(180,657.81)
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Cash and cash equivalents, beginning of year	<u>463,045.27</u>
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Cash and cash equivalents, end of year (Note 1)	<u>\$ 282,387.46</u>
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Reconciliation of Operating Income to Net Cash Provided (Used) by

Operating Activities:

Operating income	\$ (76,065.65)
Depreciation Expense	101,977.30
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Net changes in assets and liabilities:	
Accounts payable	11,304.34
Accounts receivable	<u>(1,858.63)</u>
Net cash provided (used) by operating activities	<u>\$ 35,357.36</u>

The accompanying notes are an integral part of the combined financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the Town's financial statements.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide Statement of Net Assets and Statement of Activities, Financial Accounting Standards Board (FASB) pronouncement and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds also apply the same principles. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

For the fiscal year ended June 30, 2004, the Town implemented the new financial reporting requirements of GASB Statements No. 33 and 34. As a result, an entirely new financial presentation format has been implemented. This implementation will affect comparability with reports issued in prior years.

FINANCIAL REPORTING ENTITY

The Town's financial reporting entity is comprised of the following:

Primary Government:	Town of Oologah
Blended Component Unit:	Oologah Municipal Authority

In determining the financial reporting entity, the Town complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units of which the Town appointed a voting majority of the units' board and the Town is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Town Council or the component unit provides services entirely to the Town. The component unit's fund is blended into those of the Town's by appropriate activity type to comprise the primary government presentation.

Component Unit	Brief Description/Inclusion Criteria	Reporting
Oologah Municipal Authority	Created to finance, develop and operate the sewer services activities.	Enterprise Fund

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the Town has no discretely presented component units.

Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF PRESENTATION

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the Town). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements: Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Fund are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- A. Total assets, liabilities, revenues or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- B. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

GOVERNMENTAL FUNDS

General Fund. This is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

PROPRIETARY FUND

Enterprise Fund. Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund:

Oologah Municipal Authority	Accounts for activities of the public trust in providing sewer services to the public.
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MAJOR AND NON-MAJOR FUNDS

<i>Major:</i>	General fund
	Proprietary Fund: Oologah Municipal Authority
<i>Non-Major:</i>	Street & Alley Fund

Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Measurement focus is a term used to describe “when” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

The government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c. Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applied to them.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available”. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of account, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

ASSETS, LIABILITIES AND EQUITY

Cash and Cash Equivalents

For the purpose of Statement of Net Assets, “cash, including time deposits” includes all demand, savings accounts and certificates of deposit of the Town. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

*Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales, use and franchise taxes. Business-type activities report water and sewer charges as its major receivable.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax and other intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Utility accounts receivable comprise the majority of proprietary fund receivables.

Capital Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	20-60
Building improvements	20-60
Utility system	20-60
Equipment	3-20

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in government-wide statements.

Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, the unreserved further split between designated. Proprietary fund equity is classified the same as in the government-wide statements.

Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences (when material) is recorded as long-term debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Employee Pension Plans

The Town does not offer a pension plan to its employees.

REVENUES, EXPENDITURES AND EXPENSES

SALES TAX

The town presently levies a sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Oklahoma Tax Commission. The Tax Commission receives the sales tax approximately on month after collection by vendors. The sales tax is recorded entirely in the General Fund. Sales taxes collected by the State in June and July (which represent sales for May and June) are received by the Town in July and August have been accrued and are included under the caption “Due from other governments”.

USE TAX

The town levies a use-tax on personal property purchased outside the town limits but stored, used or consumed within the town. The use tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission, which is one month after the tax is received by the vendors. The use taxes are allocated entirely to the General Fund. Use taxes collected by the State in June and July and received by the Town in July and August are included under the caption “Due from other governments”.

***Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014***

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expense not related to capital and related financing, noncapital financing or investing activities.

EXPENDITURES/EXPENSES

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:]

Governmental Funds – By Character: Current (further classified by function), Debt Service,
Capital Outlay

Proprietary Funds – By Operating and Non-Operating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows:

FUND ACCOUNTING REQUIREMENTS

The Town complies with all state and local laws and regulations requiring the use of separate funds. The legally required funds used by the town include the following:

<u>Fund</u>	<u>Required By</u>
Municipal Authority Fund	Trust Indenture

FUND EQUITY RESTRICTIONS

DEFICIT PROHIBITION

Title 11, Section 17-211 of Oklahoma Statutes prohibits the creation of a deficit fund balance in any individual fund. The Town complied with this statute in all material respects for the year ended June 30, 2014.

*Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

REVENUE RESTRICTIONS

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Gasoline Excise Tax	Street and Alley Purposes
Commercial Vehicle Tax	Street and Alley Purposes
Sewer Revenue	Utility Operations

For the year ended June 30, 2014 the Town complied, in all material respects, with those revenue restrictions.

UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Oklahoma or political subdivision debt obligations or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Town must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III A., all deposits were fully insured or collateralized.

Deposits and Investment Laws and Regulations

Investments of the Town (excluding Public Trusts) whose population exceeds 3,000 according to the latest census information are limited by state law to the following:

- 1- Direct obligations of the U.S. Government, its agencies or instrumentalities to the payment of which the full faith and credit of the Government of the United States is pledged, or obligations to the payment of which the full faith and credit of this state is pledged;
- 2- Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions;
- 3- With certain limitation, negotiable certificates of deposit, prime bankers acceptance, prime commercial paper and repurchase agreements with certain limitations;
- 4- County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district;
- 5- Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligation of national mortgage associations;
- 6- Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs a., b., c., and d.

Public trusts created under O.S. Title 60 are not subject to the above noted investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2014, the Town and its public trusts complied, in all material respects, with these investment restrictions.

*Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014*

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

CASH AND INVESTMENTS

State statutes govern the Town's investment policy. Permissible investments include direct obligations of the United States Government and Agencies; certificates of deposit of savings and loan associations, and bank and trust companies; and savings accounts or savings certificates of savings and loan associations and trust companies. Collateral is required for demand deposits and certificates of deposit for all amounts not covered by federal deposit insurance. Investments are stated at cost. The Town invests entirely in certificates of deposit.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's cash deposits, including interest-bearing certificates of deposits, are maintained in financial institutions. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2014, none of the Town's investments were exposed to custodial credit risk because there were uninsured or uncollateralized.

Component Unit Deposits

The bank deposits of \$282,387 of the discretely presented component unit were fully insured with FDIC Insurance and securities held in the Authority's name.

Accounts Receivable

Accounts receivable of the governmental activities consists of franchise tax, occupation tax, sales tax, motor vehicle collections and gasoline tax, and alcoholic beverage tax. Accounts receivable of the business-type activities consists of utilities receivable.

Accounts receivable as of June 30, 2014 is as follows:

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>\$ 45,941.41</u>	<u>\$ 19,019.87</u>	<u>\$ 64,961.28</u>

Town of Oologah
Rogers County, Oklahoma
Notes to the Financial Statements
June 30, 2014

NOTE 3: DETAILED NOTES ON TRANSACTIONS CLASSES/ACCOUNTS

Capital Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 379,000	\$	\$	\$ 379,000
<i>Capital assets being depreciated:</i>				
Building	1,006,025	166,640		1,172,665
Equipment/vehicles	<u>358,948</u>	<u>901</u>		<u>359,849</u>
Total capital assets being depreciated	<u>1,743,973</u>	<u>\$ 167,541</u>	<u>\$ 0</u>	<u>1,911,514</u>
Less accumulated depreciation for:				
Buildings and improvements	356,352	27,791		384,143
Equipment/vehicles	<u>296,062</u>	<u>18,451</u>		<u>314,513</u>
Total accumulated depreciation	<u>652,414</u>	<u>\$ 46,242</u>	<u>\$ 0</u>	<u>698,656</u>
Governmental activity capital assets, net	<u>\$1,091,559</u>			<u>\$ 1,212,857</u>
Business-type activities:				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 60,500	\$	\$	\$ 60,500
Water plant	786,179			786,179
Equipment	174,634	5,509		180,143
Sewer System	<u>2,815,635</u>			<u>2,815,635</u>
Total capital assets being depreciated	<u>3,836,948</u>	<u>\$ 5,509</u>	<u>\$ 0</u>	<u>3,842,457</u>
Less accumulated depreciation for:				
Sewer System and equipment	<u>1,933,098</u>	<u>\$ 101,977</u>	<u>\$ 0</u>	<u>2,035,075</u>
Business-type activity capital assets, net	<u>\$1,903,850</u>			<u>\$ 1,807,382</u>

OTHER LONG-TERM DEBT

As required by the Oklahoma State Constitution, the Town (excluding Public Trusts) may not incur any indebtedness that would require payment from resources beyond the current fiscal year revenue, without first obtaining voter approval. For the year ended June 30, 2014, the Town incurred no such indebtedness.

NOTE 4: LONG TERM DEBT

CHANGES IN LONG TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Balance June 30, 2013</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
Notes Payable	<u>\$ 389,434</u>	<u>\$ 0.00</u>	<u>\$ 389,434</u>	<u>\$ 0</u>	<u>\$ 0</u>

OTHER SUPPORTING INFORMATION

Town of Oologah
Rogers County, Oklahoma
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A. Audit Findings

NONE

B. Questioned Costs

NONE